



STATE OF LOUISIANA
DEPARTMENT OF REVENUE

M. J. "MIKE" FOSTER, JR.
Governor

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An Important Reminder to all Dealers
State Sales Tax on Food for Home Consumption, Residential Electricity, Water, and
Natural Gas Fully Exempted July 1, 2003
Parish Sales Tax on Food Remains Unchanged

The temporary 2% state sales tax on food for home consumption, and on electricity, natural gas, and water sold to consumers for residential use will be completely eliminated on July 1, 2003. This change is the final step of the sales tax phase-out resulting from voters' approval on November 5, 2002, of Amendment No. 2, which added Article VII, Section 2.2 to the Constitution of Louisiana. (Note: On January 1, 2003, the state sales tax rate on food items sold for home consumption was temporarily reduced to 2%.)

Commercial, Industrial Utilities Not Affected

The constitutional change does not affect the sales tax rate on electricity, natural gas, and water sold for non-residential use. Non-residential electricity, natural gas, and water will continue to be taxable at 3.9 percent through June 30, 2003. On July 1, 2003, that rate will be reduced to 3.8 percent, as provided by Act No. 22 of the 2002 Regular Session of the Louisiana Legislature.

Parish Sales Tax Rates Not Affected

The recent constitutional change does not affect the levy of sales taxes on food and prescription drugs by political subdivisions of the state, other than by political subdivisions, such as the Louisiana Tourism Promotion District, whose boundaries are coterminous with the boundaries of the state. The tax on food and prescription drugs levied by parishes, municipalities, school boards, and other local political bodies will continue to be collected despite the constitutional change.

Food Sold for Preparation and Consumption in the Home

The July 1, 2003, state sales tax exemption will apply to food sold for preparation and consumption in the home as defined in Louisiana Revised Statutes 47:305(D)(1)(n-r). This includes bakery products, dairy products, soft drinks, fresh fruits and vegetables, and packaged food requiring further preparation by the purchaser. Items such as malt beverages, beer, other alcoholic beverages, distilled water, carbonated water, water in containers, vitamins, and ice are not food items and are fully taxable.

Food sales by restaurants, drive-ins, snack bars, candy and nut counters, private clubs, and similar establishments who furnish facilities for the consumption of the food on the premises are not covered by the "food" exemption. Sales by these dealers will remain taxable at the 4 percent rate.

Water, Natural Gas and Electricity; Tax Rate Transition Procedures

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Utility companies must remit the state sales tax on the sales tax return for the month in which they invoice their customers. For example, if a customer's utility meter is read on July 5th, and an invoice is rendered to the customer on July 6, the state sales tax on that invoice is payable to the department with the utility's July sales tax return which is due on or before August 20.

Utility companies must use a special formula to calculate the taxes due for service periods that include days before and after the July 1, 2003, rate change. For example, if a residential meter is read on July 5, 2003, with 30 days in the service period since the previous reading, 25/30ths of the charges for the period will be subject to the tax at the 2 percent rate that was applicable before July 1, 2003. The remainder, or 5/30ths of the charges for the period, will be exempt from sales tax. These fractions will change for each meter reading date.

What Is a Residence?

Electricity, water, and natural gas utility companies will allow the complete sales tax exemption as of July 1, 2003, only on sales made "directly to the consumer for residential use." Article VII, Section 2.2 of the Louisiana Constitution defines this term to include the furnishing of these utilities "to single private residences, including the separate private units of apartment houses and other multiple dwellings, actually used for residential purposes, which residences are separately metered or measured, regardless of the fact that a person other than the resident is contractually bound to the supplier for the charges, actually pays the charges, or is billed for the charges." Article VII, Section 2.2 also states specifically that "(t)he use of electricity, natural gas, or water in hotel or motel units does not constitute residential use."

This constitutional provision does not require that the residences to which the utility services are delivered be the principal residences of the occupants. Eligible residences will include single-family homes, duplexes, triplexes, apartment units, condominiums, town homes, and camps, provided that the utility services are billed separately for each occupied unit.

Examples of Utility Sales That Are Not Eligible for Reduced Rate or Exemption

- Sales of utility services, where a single meter is used to measure consumption by several residential units, are not eligible for the reduced sales tax rate or the sales tax exemption.
- Sales of utility services for any building or facility that is used other than for residential purposes, such as a business, commercial, industrial, or institutional facility, are not eligible for the reduced sales tax rate or the sales tax exemption.
- Sales of utility services for hotels, motels, bed and breakfasts, rooming houses, campgrounds, and nursing homes are not eligible for the reduced sales tax rate or the sales tax exemption.

Liquefied Petroleum Gases Are Not Eligible for the Exemption

Propane, butane and other liquefied gases are sold and delivered in bulk tanks and are not considered utilities for purposes of the exemption. Although the sales tax law (R.S. 47:305.39) has a provision to exempt these fuels when sold for residential heating and cooking, the statute is currently suspended.

Questions concerning these matters can be directed to the Taxpayer Services Division in Baton Rouge at 225.219.7356 or to any of the department's regional offices.